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SECURE 2 ACT
Impact on Benefit Plans



HISTORY AND BACKGROUND

SECURE 1
12-20-2019

SECURE 2
12-29-2022



HISTORY AND BACKGROUND

Part of **CONSOLIDATED** budget bill

Bipartisan legislation

Purpose to **INCREASE** retirement savings

CATCH-UP CONTRIBUTIONS



REGULAR INDEXED ANNUAL LIMIT ($7,500 for 2023) continues, but…..

NEW HIGHER LIMIT for those ages 60-63, equal to…

GREATER OF $10,000 (indexed after 2025) or 150% of regular indexed annual limit for 2024

EFFECTIVE 1-1-25

CATCH-UP CONTRIBUTIONS



- Catch-Ups REQUIRED to be ROTH…
- …FOR EMPLOYEES with wages from the employer ≥ $145k (indexed) in prior tax year
- EFFECTIVE 1-1-24

CATCH-UP CONTRIBUTIONS



- Plans with CATCH-UPs MUST allow Roth
- Plans MAY PERMIT employees to elect Roth treatment of matches and non-elective contributions
- "ROTHIFICATION" becoming universal

TOP HEAVY TESTING

TOP HEAVY
accounts of key employees >60% of non-key

KEY EMPLOYEES
officers with comp >$215k
owners with comp >$150k and 1%
5% or more owners

MUST MAKE 3% CONTRIBUTION
if top-heavy



TOP HEAVY TESTING

EXCLUDABLE EMPLOYEES
age 21 & 1 year of service

Can now perform **SEPARATE** testing

Effective PY after 12-31-23





LONG-TERM PART-TIME EMPLOYEES

SECURE 1

Employees with at least 500 hours of service for at least 3 consecutive years (beginning 1-1-21) **MUST** be allowed **to contribute** to 401(k) plan

SECURE 2

REDUCES 3 years to 2 years



LONG-TERM PART-TIME EMPLOYEES

MAY IGNORE pre-2021 service for eligibility and vesting purposes

Long-Term Part-Time rule **EXTENDED** to 403(b) Plans

EFFECTIVE 1-1-25

SMALL INCENTIVES ALLOWED



MUST BE de minimis

Boost PARTCIPATION

INVOLUNTARY CASH-OUTS

$5,000

Until 12-31-23

$7,000

after 1-1-24



INVOLUNTARY CASH-OUTS

Must still roll into default IRA >$1k *unless* participants elects otherwise

Automatic portability to successor plans coming





RETIREMENT SAVINGS LOST & FOUND

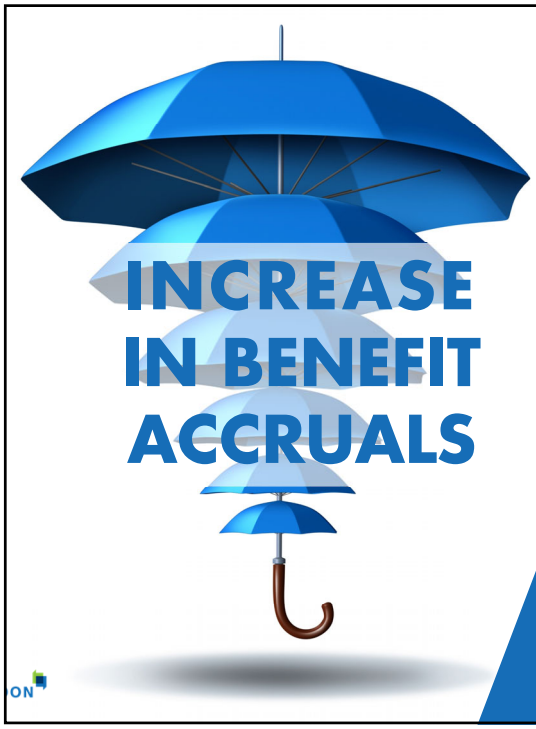
✓Directs DOL to CREATE lost and found database

✓SEARCHABLE by former participants and beneficiaries



RETIREMENT SAVINGS LOST & FOUND

- ✓Must be created within 2 years
- ✓Applicable to ERISA covered DC & DB plans
- ✓Employer reporting obligation



INCREASE IN BENEFIT ACCRUALS

CURRENT

Discretionary amendments due by end of PY

FUTURE

If increase benefits, by employer's tax filing deadline



INCREASE IN BENEFIT ACCRUALS

APPLIES TO

stock bonus, pension, PS and annuity plans

DOESN'T APPLY TO

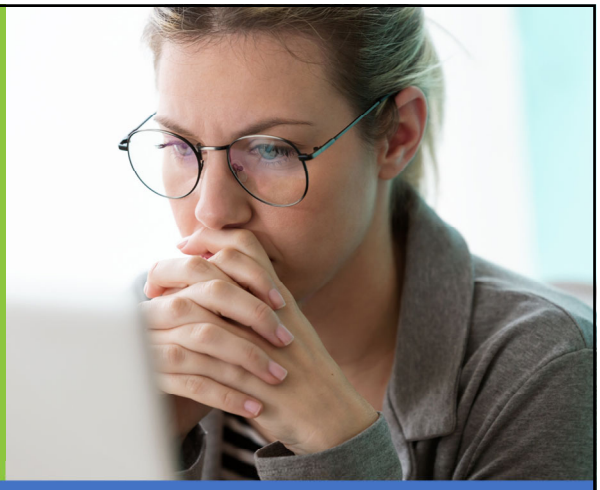
Increase in matches

Effective PY AFTER12-31-23

Previously had to send to all participants

Relief for those not enrolled

Must provide upon request

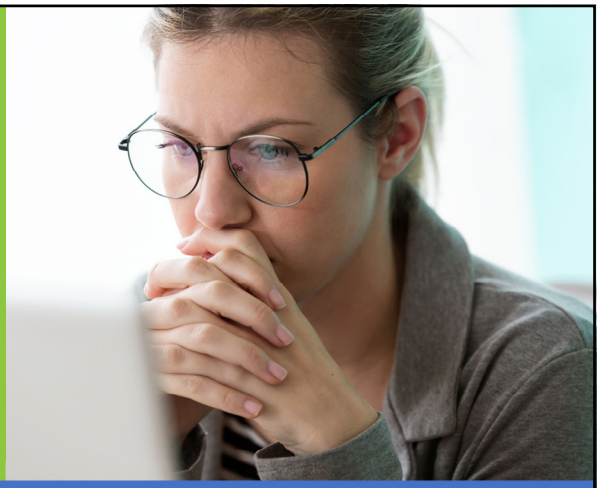


PARTICIPANT NOTICES

New annual notice instead

In advance of each PY

Effective PY after 12-31-22



PARTICIPANT NOTICES



AUTOMATIC ENROLLMENT

New Plans ADOPTED after 12-29-22

Exemption For

Church & Governmental	Employers ≤10 employees	Employers in existence < 3 yrs



AUTOMATIC ENROLLMENT

MUST enroll between 3-10%

MUST be invested in QDIA

MUST have 90-day withdrawal right



SECURE 2 AMENDMENT TIMING

By end of PY beginning on or after
1 Jan. 25

By end of PY beginning on or after
1 Jan. 27
(collectively bargained and governmental plans)



SECURE 2 AMENDMENT TIMING

- Cut-back relief
- Operational Compliance



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Benefits InSight BLOG



Congress' Attempt at Plan Administration Creates Overpayment Conflict

January 30, 2023 by Alex Mattingly



Congress SECURES the Future of Student Loan Borrowers

January 26, 2023 by Lyndsey Barnett



Automatic Enrollment is Coming for Your Retirement Plan...Sorta

January 23, 2023 by John Kirk

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THANK YOU

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